

Exhibit No. 8Date 4-7-09Bill No. HB 258**MONTANA LEGISLATIVE BRANCH****Legislative Fiscal Division**

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Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: March 31, 2009

TO: Representative Dan Villa

FROM: Lois Steinbeck
Senior Analyst

RE: Revenues, Appropriations, and Expenditures from the Health and Medicaid Initiatives State Special Revenue Account FY 2006 through FY 2008

The attached table shows revenues, appropriations, expenditures, and reversions for FY 2006 through FY 2008 from the health and Medicaid initiatives state special revenue account, created by the passage of voter initiative 149 (I-149) November 2004. Tobacco taxes were raised January 1, 2005 and the increase deposited into the account, so there was \$14.8 million in the account prior to FY 2006 when the first appropriations were made from the account.

Tobacco revenues have grown slightly despite the tax increase (\$38.1 million in FY 2006 to \$39.8 million in FY 2008). To date annual revenues have exceeded annual costs. Appropriations grew from \$22.5 million in FY 2006 to \$43.8 million in FY 2008. Expenditures were \$15.9 million in FY 2006 and rose to \$36.0 million in FY 2008.

Reversions have ranged from \$6.5 million to \$7.8 million in FY 2008. Reversions would have been \$7.7 million higher in FY 2007 except the legislature diverted that amount from unspent Big Sky Rx appropriations to the Older Montanans' Trust Fund (SB 155).

The attached table groups expenditures by major category. Medicaid services expenditures include service and eligibility expansions as well as provider rate increases, including rate increases targeted toward raising direct care worker wages. Service expansions include additional community services for aged and disabled persons. Eligibility expansions include raising financial eligibility for pregnant women and infants under 1 year old from 133 percent of the federal poverty level to 150 percent and raising the asset limit for Medicaid eligibility for children. (The asset test for children was subsequently eliminated by the passage of I-155 - Healthy Montana Kids.)

Over the last three years, the most significant reversions have occurred in the Big Sky Rx program, adult mental health services, Children's Health Insurance Plan (CHIP), and the Insure

Montana program (including transfers to offset shortfalls in the appropriation for tax credits) and in Medicaid state plan services in FY 2008.

Big Sky Rx program enrollment is gradually increasing. 2011 biennium appropriations are \$5.8 million per year. If enrollment continues along current growth trends, the expenditures should be more in line with appropriations.

Reversions in adult mental health services were due to slow enrollment in the adult mental health community services Medicaid waiver program and because actual per capita cost is lower than budgeted. Enrollment is nearing estimated levels in FY 2009. The 2011 biennium appropriation includes an expansion in the number of people served and a reduction from the executive budget request due to lower average per capita costs.

CHIP expenditures from I-149 funds have been \$0.5 million to \$0.7 million lower than the appropriation due to funding from other state special revenue funds – most notably tobacco settlement funds. 2011 biennium appropriations for CHIP increased about \$1.6 million per year above the FY 2008 base expenditures to offset general fund included in the executive budget request.

Medicaid state plan services reverted \$1.2 million in FY 2008, largely due to fewer expenditures related to the eligibility expansion for pregnant women and infants up to 1 year old. The 2011 biennium appropriation for state plan services was maintained at the FY 2008 expenditure level for that group.

Finally, amounts shown in the attached table may vary from the amounts in comparable tables in the budget analysis and fiscal reports because the data in the attached table includes accounting changes such as prior year adjustments and in some instances transfers among programs.

Please let me know if you need additional information.

Revenues, Appropriations, and Expenditures from the Health and Medicaid Initiatives Account -- FY 2006 through FY 2008									
Revenue/Appropriation/ Expenditure by Program	FY2006		FY2007		FY2008				
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted Over (Under) Actual
Revenue									
Tobacco Tax Revenue		\$38,089,725		\$39,625,657		\$39,625,657	\$37,403,000	\$39,824,984	(\$2,421,984)
Ending Fund Balance Carry Forward		14,836,318		38,225,818		38,225,818		43,058,868	
Interest Earnings		<u>1,238,075</u>		<u>2,832,993</u>		<u>2,832,993</u>		<u>2,498,093</u>	
Total Revenue		\$54,164,118		\$80,684,468		\$80,684,468	\$37,403,000	\$85,381,945	
Expenditures									
Medicaid Programs									
State Plan Services**	\$5,096,078	\$4,536,118	\$7,809,765	\$7,759,765	\$50,000	\$50,000	\$9,755,523	\$8,513,436	\$1,242,087
Senior Services	3,254,526	3,254,525	5,157,750	5,157,744	6	6	7,770,148	7,770,148	0
Developmental Disability	475,000	474,999	950,000	950,000	0	0	2,667,826	2,667,826	0
Adult Mental Health and Chemical Dependency	282,620	282,620	1,002,033	528,431	473,602	473,602	2,381,609	1,105,916	1,275,693
Insure Montana	1,671,375	615,450	5,899,001	4,494,459	1,404,542	1,404,542	6,552,838	5,613,733	939,105
Tax Credits for Small Employers	1,200,000	1,763,349	3,976,330	4,204,410	(228,080)	(228,080)	4,368,491	4,025,973	342,518
Children's Health Insurance Plan	969,711	902,563	2,043,639	1,566,837	476,802	476,802	1,601,959	907,760	694,199
Big Sky Rx***	6,234,756	931,073	9,515,244	9,515,244	(0)	(0)	5,476,563	2,543,967	2,932,596
Mental Health Services Plan****	3,152,604	3,152,604	3,347,396	3,347,310	86	86	3,152,604	2,768,810	383,794
DPHHS Admin/Other	149,625	25,000	166,893	101,399	65,494	65,494	106,365	84,621	21,744
Total Expenditures	<u>\$22,486,295</u>	<u>\$15,938,301</u>	<u>\$39,868,051</u>	<u>\$37,625,599</u>	<u>\$2,242,452</u>	<u>\$2,242,452</u>	<u>\$43,833,926</u>	<u>\$36,002,190</u>	<u>\$7,831,736</u>
Annual Revenue Over (Under) Expenditures		23,389,500		4,833,051		4,833,051		6,320,887	
Total Fund Balance		<u>\$38,225,818</u>		<u>\$43,058,868</u>		<u>\$43,058,868</u>		<u>\$49,379,755</u>	

*Medicaid program expenditures include provider rate and direct care worker wage increases as well as eligibility and service expansions.

**State plan services include physician, dental, prescription drug, and hospital services as well as children's mental health services.

***Big Sky Rx includes a transfer of \$7.7 million to the Older Montanans' Trust in FY 2007 (SB 155 of the 2007 Legislature). Also, the FY 2008 appropriation is one half of a biennial appropriation. Depending on program enrollment some of the \$2.9 million remainder will be spent in FY 2009.

****The Mental Health Services Plan has been funded from a biennial appropriation of about \$6.3 million. The remainder of the FY 2008 appropriation will likely be fully expended in FY 2009.